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ABSTRACT

Census data on poverty in 1987 indicate that the economic recovery has been uneven, with the poor sharing less fully in the gains than in prior recoveries. Despite a drop in the national unemployment rate from 7 percent in 1986 to 6.2 percent in 1987, the poverty rate of 13.5 percent has remained essentially unchanged. Although 1987 represented the fifth year of economic recovery, the poverty rate was higher than in any year in the 1970s, higher even than during the major recession of 1974 and 1975. Although the unemployment rate was about the same in 1987 as in 1978, poverty rates were substantially higher in 1987 than in 1978, when the rate was 11.4 percent. The data are especially disturbing for blacks, whose poverty rate rose significantly in 1987 to 33.1 percent, and for young black children, whose poverty rate rose to 49 percent. The income gap between rich and poor families reached its widest point in 40 years. In addition, the average poor family fell further below the poverty line in 1987 than in any year since 1960. Poverty rates for certain groups, such as children, remain at very high levels and have climbed considerably over the past decade. While alternative measures of poverty in which non-cash benefits are counted as income can be useful in providing consistent measures of poverty trends since 1979, the measures are of questionable value in estimating the number or proportion of people who are poor. Statistical data are included on two tables and three graphs. (FMW)

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Analysis of Poverty in 1987

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ANALYSIS OF POVERTY IN 1987

New Census data on poverty issued today indicate that the economic recovery is leaving many poor Americans behind.

Despite a drop in the national unemployment rate from 7.0 percent in 1986 to 6.2 percent in 1987, the poverty rate remained essentially unchanged. The poverty rate of 13.5 percent does not represent a statistically significant change from the 13.6 percent poverty rate in 1986. Similarly, the number of Americans who were poor last year -- 32.5 million people -- does not represent a statistically significant change from the 32.4 million people who were poor in 1986.

Although 1987 represented the fifth year of economic recovery, the poverty rate last year was higher than in any year in the 1970s, higher even than during the major recession of 1974 and 1975.

Moreover, although the unemployment rate was about the same in 1987 as in 1978, poverty rates were substantially higher in 1987 than in 1978, when the rate was 11.4 percent.

These data indicate that the economic recovery has been uneven, with the poor sharing less fully in the gains than in prior recoveries.

The data are especially disturbing for blacks, whose poverty rate rose significantly in 1987 to 33.1 percent and for young black children, whose poverty rate climbed to 49 percent. One of every two young black children now lives in poverty.

Providing further evidence of this unevenness, the new data also show that in 1987, the income gap between rich and poor families reached its widest point in 40 years.

In addition, the data reveal that the average poor family fell further below the poverty line in 1987 than in any year since 1960. The data confirm that the poor have been growing poorer in recent years.

The Census report also indicates that poverty rates for certain groups such as children remain at very high levels and have climbed considerably over the past decade.

General Poverty Data for 1987

The most striking fact about the new poverty data is the failure of the poverty rate to drop significantly in 1987 (and the slow overall improvement in poverty rates since 1983) despite an economic recovery.

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Generally, poverty rates follow unemployment rates. In the past, in most years when the unemployment rate has dropped significantly, the poverty rate has declined significantly as well.

That did not occur in 1987. The unemployment rate dropped from 7.0 percent in 1986 to 6.2 percent in 1987, but the poverty rate remained essentially unchanged.

This development is part of a larger pattern -- the failure of poverty rates in the 1980s to return to 1970s levels. In the late 1970s and early 1980s, poverty rates rose as unemployment climbed, but in recent years poverty rates have fallen only modestly as unemployment has returned to late 1970s levels.

- Specifically, as noted, the 13.5 percent poverty rate for 1987 is higher than the rate for any year in the 1970s, including the 1974-75 recession.

- The unemployment rate in 1987 (6.2 percent) was at about the same level as in 1978 (when it was 6.1 percent). But the 13.5 percent poverty rate in 1987 was far above the 11.4 percent poverty rate in 1978. Over five million more Americans were poor in 1987 than would have been poor if the poverty rate had followed the unemployment rate back to the 1978 level.

It should be noted that these sharp increases in poverty since the late 1970s do *not* appear to be primarily due to increasing numbers of female-headed families. The proportion of the poor living in female-headed families actually dropped from 1978 to 1987 (from 38 percent of the poor to 37 percent). The increases in poverty over the past decade have been widespread across all types of families.

The new data also show that when poverty rates under recent administrations are compared, the rates are found to be considerably higher under the current Administration than under several of its predecessors. The average poverty rate during both 1969-1976 (the years of the Nixon and Ford Administrations) and 1977-1980 (the Carter Administration years) stood at 11.9 percent. The average poverty rate during the Reagan Administration (1981-1987) has been 14.2 percent.

Poverty Among Racial/Ethnic Groups

Poverty rates climbed significantly for black Americans, from 31.1 percent in 1986 to 33.1 percent in 1987. One of every three blacks was living in poverty last year.

Poverty also rose nearly a full percentage point for Hispanics, from 27.3 percent to 28.2 percent, although the Census Bureau said this poverty rate increase was not statistically significant.

The increases in the numbers both of poor blacks and of poor Hispanics were statistically significant. The number of poor blacks rose 700,000 people to 9.7 million, while the number of poor Hispanics rose 353,000 people to 5.5 million.

The poverty rate for whites dropped from 11 percent to 10.5 percent, a modest but statistically significant change. The number of poor whites dropped, but the change was not statistically significant.

The substantial increase in black poverty rates occurred among married couple families as well as among female-headed families. The poverty rate for black married couple families headed by a male rose significantly (by 1.9 percentage points). The poverty rate for black female-headed families also rose, but this increase was not statistically significant.

Poverty Among Children

Poverty rates remained high among children and climbed for minority children.

In 1987, some 20.6 percent of all children (under age 18) were poor, about the same as the 20.5 percent poverty rate for children in 1986.

The poverty rate for black children, however, rose from 43.1 percent to 45.8 percent, while the poverty rate for Hispanic children climbed from 37.7 percent to 39.8 percent.

The poverty rate rose particularly sharply for black children under age six, rising from 45.6 percent in 1986 to 49 percent in 1987. Nearly one of every two young black children in the United States was poor in 1987.

These poverty rates are far higher than the child poverty rates for 1978 (the year in which the unemployment rate was at about the same level as in 1987) or 1980 (the last year of the previous Administration). In 1978, 15.9 percent of all children were poor; in 1980, 18.3 percent were poor.

There has also been a striking increase in the number of poor children. Some 13 million children were poor in 1987, compared to 9.9 million in 1978 and 11.5 million in 1980.

Equally sharp increases have occurred among the number of children falling below *half* of the poverty line -- a category that could be termed "the poorest of the poor." The number of children in families with incomes below half the poverty line ($4,528 for a family of three in 1987) totalled 5.4 million in 1987, up by 1.4 million from 1980 and 2.2 million since 1978.

Increases in the number of very poor children occurred among both black and white children. For both races, the number of children falling below half the poverty

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*These figures represent the poverty rates for all children under 18. Also commonly cited are the poverty rates for related children under 18 living in families. The poverty rate for related children in families edged up from 19.8 percent in 1986 to 20 percent in 1987. These changes were not statistically significant.

line in 1987 was more than 50 percent greater than in 1978. (The increase was 69 percent for white children and 54 percent for black children.)

In 1987, some 44 percent of all poor children -- or more than two of every five -- and 51 percent of all poor black children -- or more than half -- lived in families with incomes below half the poverty line.

Poverty Among the Elderly

The poverty rate edged downward slightly for elderly people as a whole, but rose for the black and Hispanic elderly. The overall elderly poverty rate was 12.2 percent in 1987, compared to 12.4 percent in 1986. However, the black elderly poverty rate rose from 31 percent to 33.9 percent, while the Hispanic elderly poverty rate increased from 22.5 percent to 27.4 percent.

The Poor Grow Poorer

The new Census data also show that the poor have been growing poorer in recent years. The Census report states that the income of the typical poor family fell $4,165 below the poverty line in 1987, an all-time record. In no other year back to 1959 (the first year for which these data are available) has the typical family fallen so deeply into poverty. (Figures for all years have been adjusted for inflation for comparison purposes.)

In addition, nearly two of every five poor people (39.2 percent) had incomes below half of the poverty line in 1987. This is the largest proportion of the poor to fall into the "poorest of the poor" category in more than a decade.

Widening Gap Between Rich and Poor

In addition to demonstrating that the poor have grown poorer, the new Census data also show that in 1987, the gap between rich and poor families hit its widest point in at least 40 years. This gap is now wider than at any point since the Census Bureau began collecting these data in 1947.

The Census data show that in 1987, the wealthiest 40 percent of American families received 67.8 percent of the national family income, the highest percentage ever recorded.

By contrast, the poorest 40 percent of families received 15.4 percent of the national family income, which tied with 1986 as being the lowest percentage ever recorded.**

**There was a modification in Census methodology in 1985 that slightly changed the way that shares of the national income are computed. After controlling for this change

(continued...)

The 20 percent of American families in the middle of the income spectrum received 16.9 percent of national family income, one of the lowest percentages recorded. (The low point occurred in 1986.)

Income Trends

One aspect of the new Census report provides some brighter news -- the data on median family income. Even here, however, the picture is mixed and the progress uneven.

Median family income rose one percent in 1987, from $30,334 in 1986 to $30,853 in 1987. However, black and Hispanic families did not share in this modest gain. From 1986 to 1987, median family income for blacks and Hispanics declined, although the declines were not statistically significant, falling from $18,247 to $18,098 for black families and from $20,726 to $20,306 for Hispanic families.

In addition, income gains were much larger for upper income families than for low and moderate income families. The income of the typical family in the bottom 40 percent of all families rose just $57 from 1986 to 1987, after adjusting for inflation. By contrast, the typical family in the top 40 percent of the population rose $699 last year, while the income of the typical family in the richest 10 percent of the population grew $1,021.

The uneven trends in family income levels are even more marked when family income is tracked over a longer period. The income of the typical family in the poorest 40 percent of families was $741 *lower* in 1987 than in 1978, after adjusting for inflation. By contrast, the income of the typical family in the top 40 percent was $3,031 above 1978 levels, while the income of the typical family in the top 10 percent was $8,119 above 1978 levels.

Non-Cash Benefits

The new Census report also includes data on poverty rates under alternative measures of poverty in which non-cash benefits are counted as income. Some who have attempted to downplay the gravity of the new poverty data have cited the non-cash poverty measures, which yield lower poverty rates. However, a careful examination of the non-cash poverty data provides little cause for comfort.

- Poverty rates have actually risen faster in recent years under the alternative poverty measures that include the value of non-cash benefits than under the official measure of poverty.

**(...continued)
in methodology, however, the share going to the top 40 percent of all families is still at its highest level since 1947, while the share going to the bottom 40 percent of families is still at its lowest level.

- From 1979 (the first year for which the non-cash data are available) to 1987, the number of poor people rose 24.8 percent under the official definition of poverty -- but rose by 30.2 percent to 34.9 percent under the Census Bureau's four alternative measures of poverty that include the value of non-cash benefits.

- Similarly, from 1979 to 1987, the national poverty rate rose by 15.4 percent under the official poverty definition, but climbed by 21.4 percent to 24.0 percent under the four non-cash measures.

- These data demonstrate that no matter how poverty rates are measured, these rates are substantially higher today than in the late 1970s. Regardless of whether the official definition of poverty or the alternative non-cash measures are used, poverty has increased.

- The data also suggest that reductions in many of the non-cash benefit programs, along with the failure of some of these programs to keep benefits up with inflation, have apparently resulted in the non-cash benefit programs' lifting fewer people out of poverty than in the late 1970s.

While the non-cash poverty measures can be useful in providing consistent measures of poverty trends since 1979, these measures should be treated with caution and are of questionable value in estimating the number or proportion of Americans who are poor. As the Census Bureau has reported, a conference of experts it convened in December 1985 to assess its various poverty measures concluded that all of the Bureau's non-cash poverty measures "have serious flaws and should be substantially modified."* Moreover, the General Accounting Office stated: "[There are] a number of areas in which the procedures used [in the non-cash poverty measures] for each valuation technique may be subject to technical errors and may have a distorting influence on poverty indicators and thresholds. These errors could affect the poverty classification ... of large numbers of individuals and families."

For example, under the non-cash measure of poverty that produces the lowest poverty rate (the "market value" measure which includes food, housing, and medical benefits), such a high value is given to Medicare and Medicaid coverage that in the average state, *all elderly couples enrolled in both these programs are automatically considered to be above the poverty line*, regardless of whether they have any other money at all on which to live.

As the Census Bureau has noted, "Most participants [at the experts conference it convened] agreed that the poverty thresholds would have to be changed [and presumably raised] if the value of medical care were to be included in the income definition."** The

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*U.S. Census Bureau, *Money Income and Poverty Status of Families and Persons in the United States: 1986*, July 1987.

***Ibid.*

two non-cash measures released today that show the lowest poverty levels count the value of medical benefits *without* changing the poverty thresholds.

Census' conference of experts also concluded that if non-cash benefits are counted as income in determining the number of people living in poverty, then the poverty count should be based on households' earnings *after* taxes, rather than on households' gross earnings before taxes. If non-cash benefits are included because they increase household purchasing power and disposable income, the experts said, then taxes that are withheld from income and reduce purchasing power and disposable income must be subtracted. However, all Census non-cash poverty measures released today count non-cash benefits as income without subtracting these taxes.

See attached tables and charts.

September 1, 1988

POVERTY DATA: 1978, 1980 AND 1987

	1978	1980	1986	1987
Unemployment Rate	6.1%	7.1%	7.0%	6.2%
Poverty Rate				
All Persons	11.4%	13.0%	13.6%	13.5%
White	8.7	10.2	11.0	10.5
Black	30.6	32.5	31.1	33.1
Hispanic	21.6	25.7	27.3	28.2
Child Poverty Rate*				
All Children	15.9%	18.3%	20.5%	20.6%
White	11.3	13.9	16.1	15.6
Black	41.5	42.3	43.1	45.8
Hispanic	27.6	33.2	37.7	39.8
Poverty Rate for Families With Children Under 18	12.8%	14.7%	16.3%	16.2%
Poverty Rate for Young Families				
Family Head Aged 15-24	18.5%	21.8%	31.5%	29.5%
Family Head Aged 25-34	11.0	12.9	15.2	15.4
Elderly Poverty Rate	14.0%	15.7%	12.4%	12.2%
Number of Persons in Poverty	24,497,000	29,720,000	32,370,000	32,546,000
Number of Children in Poverty	9,931,000	11,543,000	12,876,000	13,016,000

*For all children under 18

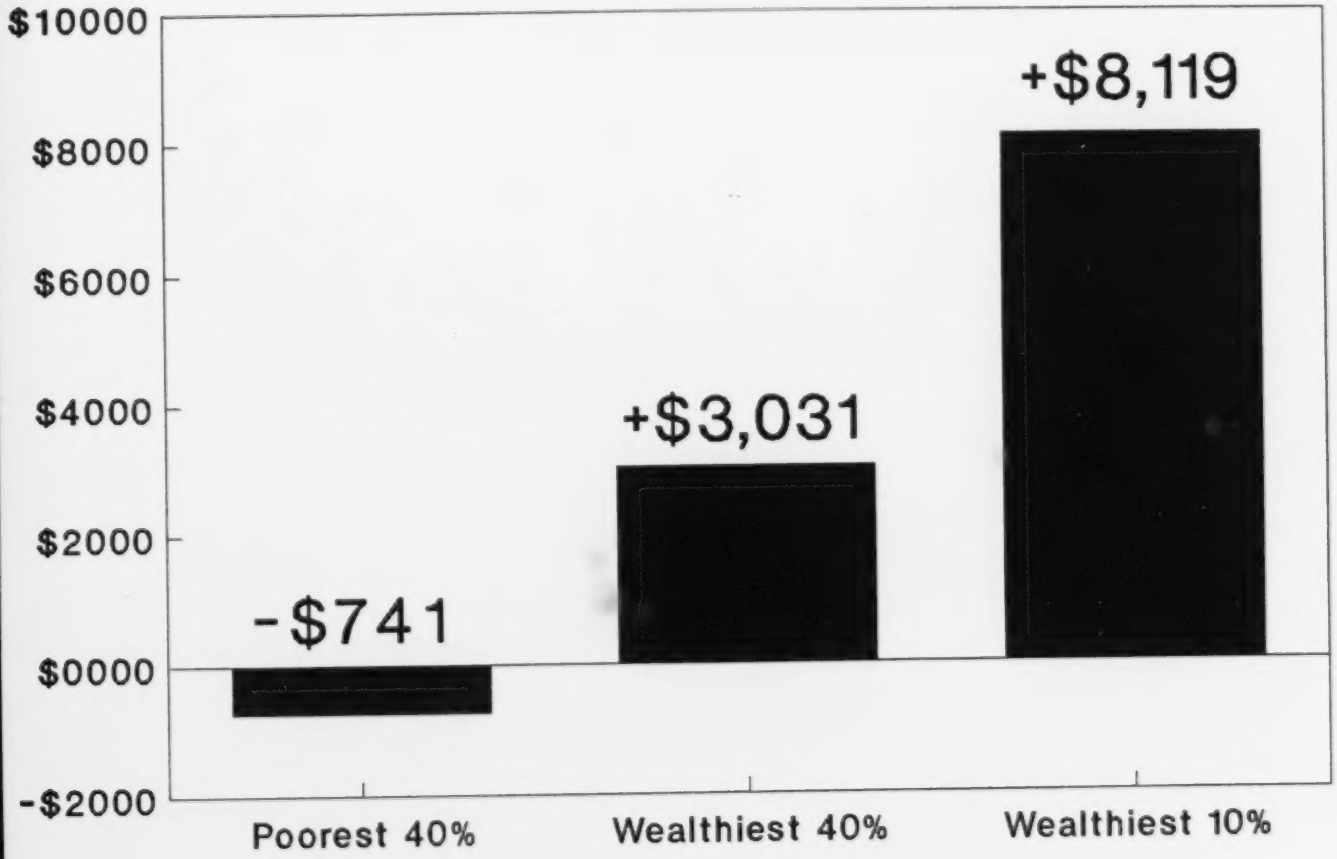
MEDIAN INCOMES OF RICH AND POOR FAMILIES

(Constant 1987 Dollars)

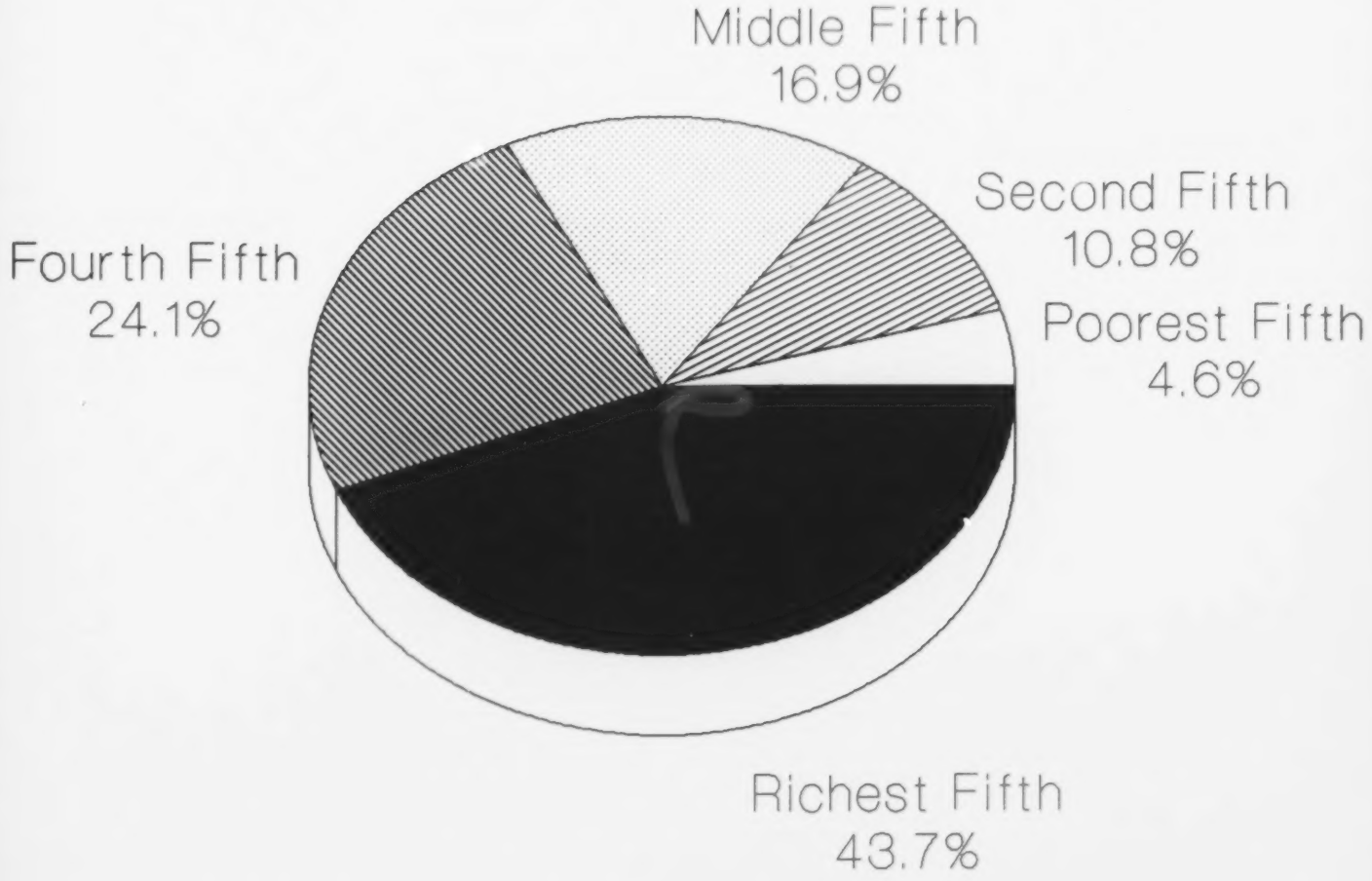
Median Family Income

Year	Bottom 40%	Top 40%	Top 10%
1987	$14,450	$52,910	$86,300
1986	14,393	52,211	85,279
1980	14,187	47,631	74,562
1978	15,191	49,879	78,181

Change in Median Income, 1978 - 1987
For Lower and Upper Income Families



Distribution of Family Income



Poverty under Various Administrations
(Average Poverty Rates)